

1 UNITED STATES COURT OF APPEALS

2 FOR THE SECOND CIRCUIT

3 August Term, 2005

4 (Argued: October 26, 2005 Decided: December 15, 2006)

5 Docket No. 05-1751-cv

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7 E & L CONSULTING, LTD., doing business as C.B.C. LUMBER, CO., and
8 C.B.C. WOOD PRODUCTS, INC.,

9
10 Plaintiffs-Appellants,

11 - v. -

12 DOMAN INDUSTRIES LIMITED, EACOM TIMBER SALES LTD. and SHERWOOD
13 LUMBER CORP.,

14
15 Defendants-Appellees.

16 - - - - -
17 B e f o r e: WINTER, POOLER, and SOTOMAYOR, Circuit Judges.

18 Appeal from a dismissal by the District Court for the
19 Eastern District of New York (David. G. Trager, Judge) of
20 antitrust claims against a lumber company and its exclusive
21 distributor. We affirm because plaintiffs have not alleged facts
22 sufficient to show harm to competition.

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5 and Eacom Timber Sales Ltd.
6

7 WINTER, Circuit Judge:

8 E & L Consulting, Ltd. ("E&L"), which does business under
9 the name C.B.C. Lumber, Co., and C.B.C. Wood Products, Inc.
10 appeal from Judge Trager's dismissal of their complaint against a
11 Canadian lumber company and its exclusive distributor. The
12 complaint asserts, among other things, that a distribution
13 agreement between appellees violates Section 1 of the Sherman
14 Act, that the agreement is part of a monopolization scheme, and
15 that the defendants are engaged in unlawful tying of products.
16 We affirm principally because appellants have failed to allege
17 facts that, if proven, would demonstrate harm to competition.

18 BACKGROUND

19 Because this is a dismissal under Fed. R. Civ. P. 12(b)(6)
20 for failure to state a claim, we view the allegations of the
21 complaint in the light most favorable to appellant. Leeds v.
22 Meltz, 85 F.3d 51, 52 (2d Cir. 1996). Those allegations are as
23 follows.

24 From 1990 until 2004, E&L was the distributor of green hem-
25 fir lumber in New York, New Jersey, and Pennsylvania for
26 appellees Doman Industries Limited ("Doman") and Eacom Timber
27 Sales Ltd., a Doman subsidiary. The termination of that

1 distribution arrangement gave rise to the present dispute.

2 Green hem-fir lumber is an inexpensive, durable wood that is
3 "often utilized for homebuilding," particularly in the northeast.
4 There is no hem-fir or green hem-fir tree; the product is a
5 manufactured combination of different woods. Doman and Eacom
6 together supply 95 percent of the green hem-fir lumber sold in
7 New York, New Jersey, Connecticut, Rhode Island, Maryland,
8 Delaware, and Pennsylvania.

9 Beginning in 1990, E&L had an arrangement with Doman under
10 which E&L "would take delivery, but not ownership, of the green
11 hem-fir lumber products at its port facility in Red Hook,
12 Brooklyn, New York." E&L sold the lumber on Doman's behalf at
13 prices set by Doman, and Doman provided E&L with set monthly
14 payments and commissions. E&L had arrangements with two other
15 green hem-fir distributors, Atlantic Coast Lumber Co. in Rhode
16 Island and Futter Lumber in Delaware.

17 By 1998, Doman had severed its relationship with Atlantic
18 Coast Lumber. To replace Atlantic Coast, Doman contracted with
19 appellee Sherwood Lumber Corp., a New York corporation that sells
20 lumber -- including green hem-fir -- and finished wood products.
21 Under its agreement with Doman, Sherwood purchased green hem-fir
22 lumber from Doman and resold it out of the port in New London,
23 Connecticut. Doman prohibited E&L from selling lumber in the
24 area served by Sherwood.

1 In 2003, Doman cancelled its agreement with Futter Lumber
2 and replaced it with Sherwood. Doman continued to prohibit E&L
3 from selling green hem-fir lumber in states served by Sherwood.

4 Doman allowed Sherwood to purchase Doman products outright
5 and resell them itself, but it rejected E&L's request for the
6 same arrangement. Furthermore, Doman "provided Sherwood with
7 substantial discounts or favorable price structures for green
8 hem-fir lumber as compared to the pricing Doman required of E&L."
9 As a consequence, Sherwood was able to sell Doman lumber for
10 "substantially lower prices than Doman permitted E&L." For
11 example, Doman required E&L to sell 2x6 units of green hem-fir
12 lumber for \$314 while Sherwood was able to sell the same thing
13 for \$296.

14 On January 30, 2004, Doman terminated its distribution
15 agreement with E&L. On February 1, 2004, Doman notified its
16 customers that Sherwood had become the exclusive distributor of
17 Doman green hem-fir lumber in areas previously served by E&L,
18 Futter, and Atlantic Coast.

19 E&L alleges that there are no commercially feasible
20 alternative sources of green hem-fir lumber. Only one other
21 company beside Doman supplies green hem-fir lumber -- Timber West
22 -- and it supplies very little. Furthermore, no shipping
23 carriers operate a route from the western United States to
24 Brooklyn, and, consequently, the only way to get lumber from

1 Timber West is by rail. This increases the cost of the lumber by
2 "more than 10 percent," rendering it "uncompetitive for resale."
3 In addition, the only ocean shipping line transporting lumber
4 from Canada to New York told E&L that "no shipments [of non-Doman
5 lumber products] could be made for an indefinite period of time."
6 E&L alleges that Doman's reservation of all potential shipping
7 methods was intended to prevent E&L and other distributors from
8 obtaining an alternative source of supply.

9 E&L asserts that only a handful of other types of lumber are
10 suitable for the framing of homes, and they cost 25 percent more
11 than green hem-fir, which "precludes these products from being
12 adequate substitutions." Once Sherwood obtained exclusive
13 distribution rights in the northeast, it raised the price of
14 green hem-fir lumber by, in some cases, "over 20 percent."

15 Finally, "Sherwood is now requiring customers who want to
16 purchase green hem-fir lumber also [to] purchase Sherwood
17 finished wood products." In the market for finished wood
18 products, Sherwood is a competitor of plaintiff C.B.C. Wood
19 Products. The complaint alleges that Doman and Sherwood
20 conspired to allow Sherwood "to purchase green hem-fir lumber at
21 a substantially reduced price so as to enable Sherwood to tie the
22 sale of this product to the sale of finished wood products, such
23 as plywood, and to drive Sherwood's competitors out of business."

24 In February 2004, E&L and C.B.C. Wood Products brought suit

1 against Doman and Sherwood. Their amended complaint asserts five
2 claims under the federal antitrust laws: (i) that the Doman-
3 Sherwood distribution agreement violates Section 1 of the Sherman
4 Act, 15 U.S.C. § 1; (ii) that the defendants have engaged in a
5 monopolization scheme in violation of Section 2 of the Sherman
6 Act, 15 U.S.C. § 2; (iii) that defendants violated Section 7 of
7 the Clayton Act, 15 U.S.C. § 18; (iv) that they engaged in an
8 illegal tying scheme in violation of Sections 1 and 2 of the
9 Sherman Act; and (v) that they have engaged in illegal price
10 discrimination in violation of Section 2 of the Robinson-Patman
11 Act, 15 U.S.C. § 13. The complaint seeks treble damages under
12 Section 4 of the Clayton Act, 15 U.S.C. § 15. The complaint also
13 alleges state law claims including breach of contract, tortious
14 interference with contract, and violations of New York's General
15 Business Law § 340.

16 On June 7, 2004, Doman and Sherwood separately moved to
17 dismiss the plaintiffs' complaint for failure to state a claim.
18 In a Memorandum and Order dated March 14, 2005, the district
19 court granted the motions. E&L Consulting, Ltd. v. Doman Indus.
20 Ltd., 360 F. Supp. 2d 465 (E.D.N.Y. 2005).

21 The district court indicated that it was inclined to dismiss
22 the suit against Doman as a matter of comity because Doman was in
23 the Canadian equivalent of Chapter 11 bankruptcy.¹ Id. at 470-
24 71. It nevertheless resolved the claims "on substantive

1 (antitrust) rather than procedural (comity) grounds" in order to
2 avoid "unnecessary duplicative litigation." Id. at 471.

3 The district court concluded that plaintiffs' federal
4 antitrust claims failed because the complaint did not adequately
5 allege a relevant product market, id. at 471-74, or injury
6 cognizable under the antitrust laws, id. at 474-76. With no
7 remaining federal questions, Judge Trager declined to exercise
8 supplemental jurisdiction over the state law claims. Id. at 477.
9 The present appeal ensued.

10 DISCUSSION

11 a) Standard of Review

12 We review a district court's grant of a motion to dismiss
13 under Rule 12(b)(6) de novo. Taylor v. Vt. Dep't of Educ., 313
14 F.3d 768, 776 (2d Cir. 2002). For purposes of such a review, we
15 accept as true all allegations in the complaint and draw all
16 reasonable inferences in favor of the non-moving party.² Id.
17 Dismissal is appropriate only where the plaintiffs can prove no
18 set of facts consistent with their complaint that would entitle
19 them to relief. Elec. Commc'ns. Corp. v. Toshiba Am. Consumer
20 Prods., Inc., 129 F.3d 240, 242-43 (2d Cir. 1997). However,
21 conclusory statements are not a substitute for minimally
22 sufficient factual allegations. Furlong v. Long Island Coll.
23 Hosp., 710 F.2d 922, 927 (2d Cir. 1983).

24 b) Section 1 Claim

1 Appellants' Sherman Act Section 1 claim, based on the Doman-
2 Sherwood distribution agreement, fails because they have not
3 alleged an injury to competition, an element of a prima facie
4 Section 1 claim.³

5 Section 1 prohibits "[e]very contract, combination in the
6 form of trust or otherwise, or conspiracy, in restraint of trade
7 or commerce among the several States, or with foreign nations."
8 15 U.S.C. § 1. It has long been "recognized that Congress
9 intended to outlaw only unreasonable restraints." State Oil Co.
10 v. Khan, 522 U.S. 3, 10 (1997). A violation of Section 1
11 generally requires a combination or other form of concerted
12 action between two legally distinct entities resulting in an
13 unreasonable restraint on trade. Geneva Pharms. Tech. Corp. v.
14 Barr Labs. Inc., 386 F.3d 485, 506 (2d Cir. 2004). If a
15 restraint alleged is among that small class of actions that
16 courts have deemed to have "such predictable and pernicious
17 anticompetitive effect, and such limited potential for
18 procompetitive benefit," it will be unreasonable per se. State
19 Oil, 522 U.S. at 10. Most antitrust claims, however, are
20 analyzed under a "rule of reason" analysis which seeks to
21 determine if the alleged restraint is unreasonable because its
22 "anticompetitive effects outweigh its procompetitive effects."
23 Atlantic Richfield Co. v. USA Petroleum Co., 495 U.S. 328, 342
24 (1990).

1 _____The complaint alleges a vertical restraint between a
2 supplier (Doman) and a distributor (Sherwood).⁴ The agreement
3 between Doman and Sherwood designating the latter as the
4 exclusive distributor of Doman green hem-fir in the northeast,
5 like any commercial agreement, restrains trade. Chicago Board of
6 Trade v. United States, 246 U.S. 231, 238 (1918) ("Every
7 agreement concerning trade, every regulation of trade, restrains.
8 To bind, to restrain, is of their very essence."). But,
9 critically, nothing in the complaint suggests that this agreement
10 results in either a "predictable and pernicious" (per se
11 violation) or "unreasonable" (rule of reason violation) effect on
12 competition. It is not "a violation of the antitrust laws,
13 without a showing of actual adverse effect on competition
14 market-wide, for a manufacturer to terminate a distributor . . .
15 and to appoint an exclusive distributor." Elecs. Commc'ns.
16 Corp., 129 F.3d at 244.

17 Doman is alleged to have a market share in green hem-fir
18 lumber amounting to 95% in the northeastern United States.
19 Appellants do not assert that Doman's market share is somehow an
20 illegal monopoly and seek no relief on that ground. But, they
21 allege, the exclusive distributorship with Sherwood further harms
22 competition. However, appellants' hypothesizing of an
23 unreasonable effect on competition fails because such a vertical
24 arrangement provides no monopolistic benefit to Doman that it

1 does not already enjoy and would not continue to enjoy if the
2 exclusive distributorship were enjoined. To put it another way,
3 had Doman established its own in-house distribution system with
4 the same monopoly that Sherwood is alleged to possess, there
5 would have been no increase in the restriction of output of green
6 hem-fir lumber and in the resultant misallocation of resources.

7 Indeed, an exclusive distributorship would be
8 counterproductive so far as any monopolization goal of Doman is
9 concerned. A monopolist manufacturer of a product restricts
10 output of the product in order to maximize its profits. See
11 Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574,
12 583-84 and n.6 (1986); see also H. Hovenkamp, Economics and
13 Federal Antitrust Law 1-36 (1985). The power to restrict output
14 to maximize profit is complete in the manufacturing monopoly, and
15 there is no additional monopoly profit to be made by creating a
16 monopoly in the retail distribution of the product. See Lamoille
17 Valley R.R. v. ICC, 711 F.2d 295, 318 (D.C. Cir. 1983); 3 Phillip
18 Areeda & Donald F. Turner, Antitrust Law § 725b (1978). On the
19 contrary, a firm with a monopoly at the retail distribution level
20 will further reduce output to maximize its profits, thereby
21 reducing the sales and profit of the monopoly manufacturer. See
22 Cont'l T.V., Inc. v. GTE Sylvania Inc., 433 U.S. 36, 56 (1977);
23 G.K.A. Beverage Corp. v. Honickman, 55 F.3d 762, 767 (2d Cir.
24 1995); see also R.J. Reynolds Tobacco Co. v. Cigarettes Cheaper!,

1 4632 F.3d 690, 696-97 (7th Cir. 2006); Byars v. Bluff City News
2 Co., 609 F.2d 843, 861 (6th Cir. 1979). Like any seller of a
3 product, a monopolist would prefer multiple competing buyers
4 unless an exclusive distributorship arrangement provides other
5 benefits in the way of, for example, product promotion or
6 distribution. See Cont'l T.V., 433 U.S. at 54-56. In fact, we
7 have explicitly noted that "a vertically structured monopoly can
8 take only one monopoly profit." G.K.A. Beverage, 55 F.3d at 767.

9 The only detriment to competition alleged to result from the
10 Doman-Sherwood agreement is that "end-users of lumber and
11 finished wood products have fewer options to purchase their
12 required supplies and are now required to pay artificially
13 inflated prices." This, by itself, is not a sufficient
14 allegation of harm to competition caused by the exclusive
15 distributorship, again, because the alleged single source and
16 price increase, even if monopolistic, is something Doman can
17 achieve without the aid of a distributor.

18 Thus, we have noted that "exclusive distributorship
19 arrangements are presumptively legal." Elecs. Commc'ns. Corp.,
20 129 F.3d at 245. To be sure, we have never held that all
21 exclusive arrangements are reasonable as a matter of law. In
22 Geneva Pharmaceuticals, for example, we vacated a grant of
23 summary judgment on a Section 1 claim that was based on an
24 exclusive supply agreement between a drug-maker and a supplier of

1 the active ingredient in the drug. Geneva Pharms. Tech. Corp. v.
2 Barr Labs. Inc., 386 F.3d 485 (2d Cir. 2004). We acknowledged
3 the general rule that "it usually does not further harm
4 competition for a monopolist in one market to leverage its
5 advantage into a monopoly in a downstream market." Id. at 508
6 n.4. However, in that case there was a "window of monopoly
7 opportunity [that] is unique." Id. Geneva involved an
8 allegation of two temporary, related monopolies in different
9 products, a drug and its active ingredient. Moreover, the two
10 firms, which had overlapping ownership, were jointly involved in
11 predatory practices designed to extend their respective temporary
12 monopolies by deterring entry by competitors. Id. at 492-93
13 (noting that the manufacturer of the active ingredient misled the
14 plaintiff, who was a potential competitor with the drug
15 manufacturer, telling it that the ingredient manufacturer "had no
16 exclusive arrangement with respect to clathrate and that it could
17 supply clathrate to [the drug manufacturer]" and attempting to
18 "dissuade [the competitor] from pursuing its FDA application on
19 the pretext that others were ahead of it, and that its market
20 share would thus be proportionally smaller.").

21 The facts in Geneva, therefore, were quite different from
22 the claim in a typical exclusive distribution case, like the
23 present one, where it is alleged only that a monopolist
24 manufacturer is trying to extend its monopoly into the

1 distribution or sale of its product. Unlike Geneva, the present
2 case is a "run-of-the-mill exclusive distributorship controversy,
3 where a former exclusive distributor is attempting to protect its
4 competitive position vis a vis its supplier." Elecs. Commc'ns.
5 Corp., 129 F.3d at 245. The complaint simply does not allege,
6 therefore, "that the challenged action has had an actual adverse
7 effect on competition as a whole in the relevant market."
8 Capital Imaging Assocs., P.C. v. Mohawk Valley Med. Assocs., 996
9 F.2d 537, 543 (2d Cir. 1993) (emphasis in original).

10 c) Section 2 of the Sherman Act

11 Appellants' Section 2 monopolization claim fails for similar
12 reasons. Section 2 makes it illegal to "monopolize, or attempt
13 to monopolize, or combine or conspire with any other person or
14 persons, to monopolize any part of the trade or commerce among
15 the several States or with foreign nations." 15 U.S.C. § 2. A
16 viable claim under Section 2 challenging a distributorship
17 agreement must, like a Section 1 claim, show a harm to
18 competition. Elecs. Commc'ns. Corp., 129 F.3d at 246 ("The
19 agreement between Audiovox and Toshiba cannot harm competition,
20 and therefore cannot serve to further an alleged monopolization
21 scheme."). For the reasons stated above, the complaint fails to
22 allege facts that would show that the exclusive distribution
23 agreement between Doman and Sherwood harms competition, and it
24 cannot be the basis of a monopolization scheme under Section 2.

1 Nor is the allegation that Doman reserved shipping space
2 with the intent to exclude other manufacturers of green hem-fir
3 lumber from that space sufficient to allege a Section 2
4 violation. The reservation of space necessarily excludes, and is
5 intended to exclude, producers of lumber of all kinds, including
6 green hem-fir, and suppliers of all other goods for that matter,
7 from using that same shipping space. There is no allegation that
8 Doman did not ship lumber in the reserved space or did not do so
9 in order to sell the lumber. Firms do not violate the antitrust
10 laws by meeting customers' demands even when the use of available
11 shipping facilities may make it more difficult for competitors.

12 d) Tying

13 Appellants also assert antitrust violations based on an
14 alleged tying scheme. They claim that Doman has allowed Sherwood
15 to purchase green hem-fir lumber at a reduced price so that
16 Sherwood can tie the sales of green hem-fir lumber to the sales
17 of "finished wood products."

18 A tying arrangement is "'an agreement by a party to sell one
19 product but only on the condition that the buyer also purchase[]
20 a different (or tied) product.'" Yentsch v. Texaco, Inc., 630
21 F.2d 46, 56 (2d Cir. 1980) (quoting N. Pac. Ry. Co. v. United
22 States, 356 U.S. 1, 5 (1958)). We have required plaintiffs
23 claiming an illegal tying arrangement to show: "first, a tying
24 and a tied product; second, evidence of actual coercion by the

1 seller that forced the buyer to accept the tied product; third,
2 sufficient economic power in the tying product market to coerce
3 purchaser acceptance of the tied product; fourth, anticompetitive
4 effects in the tied market; and fifth, the involvement of a 'not
5 insubstantial' amount of interstate commerce in the 'tied'
6 market." De Jesus v. Sears, Roebuck & Co., 87 F.3d 65, 70 (2d
7 Cir. 1996) (quoting Gonzalez v. St. Margaret's House Hous. Dev.
8 Fund Corp., 880 F.2d 1514, 1516-17 (2d Cir. 1989)).

9 Appellants' complaint alleges that green hem-fir lumber is
10 the tying product and "finished wood products" are the tied
11 products. While green hem-fir lumber is a product with a useable
12 definition that gives notice to the appellees of the alleged
13 tying product, "finished wood products" is a term that covers an
14 enormous variety of goods with an enormous number of uses.⁵ The
15 phrase is exceptionally broad and vague, potentially encompassing
16 hundreds of different products, and the complaint does not
17 attempt to define the phrase or even narrow the range of things
18 or products to which the phrase might refer. Appellants,
19 moreover, have not specified in the complaint, and declined to do
20 so at oral argument, precisely which of this vast range of
21 products appellee has tied to green hem-fir lumber.

22 Notice pleading requires at a minimum that the pleading give
23 the opposing party notice of the nature of the claim against it,
24 including which of its actions gave rise to the claims upon which

1 the complaint is based. The claim must be sufficiently
2 particular to allow the defendant to commence discovery and
3 prepare a defense. See Salahuddin v. Cuomo, 861 F.2d 40, 42 (2d
4 Cir. 1988).

5 The complaint is therefore insufficient to allege a tying
6 violation. Even under notice pleading, an antitrust defendant
7 charged with illegal tying is entitled to some specificity as to
8 the conduct alleged to be coercive, the customers who would have
9 purchased a product elsewhere but for the coercion, the
10 particular products sold as a result of the coercion, the
11 anticompetitive effects in a specified market, and the effect on
12 the business of the plaintiff. See Mountain View Pharmacy v.
13 Abbott Labs., 630 F.2d 1383, 1387-88 (10th Cir. 1980). This
14 complaint does not do this. Its allegations make no attempt to
15 define the conduct alleged to be unlawful and potentially involve
16 every sale by Sherwood during the period covered by the
17 complaint. The allegation is therefore insufficient to survive a
18 motion to dismiss. Paycom Billing Servs. v. Mastercard Int'l,
19 Inc., No. 05-1845-cv, 2006 WL 3041938 (2d Cir. Oct. 27, 2006)
20 (noting that, though pleading rules are permissive, they do not
21 allow "conclusory statements to substitute for minimally
22 sufficient factual allegations").

23 e) Robinson-Patman Act

24 Plaintiffs' claim under the Robinson-Patman Act, 15 U.S.C. §

1 13, was also properly dismissed. As a threshold issue,
2 plaintiffs have no standing to assert any claims under the
3 Robinson-Patman Act because that statute applies only to price
4 discrimination between different purchasers. 15 U.S.C. § 13(a).
5 "[C]onsignment contracts are not covered." Herbert Hovenkamp,
6 Federal Antitrust Policy: The Law of Competition and its Practice
7 § 14.6d n.31 (2d ed. 1999). This requirement applies not just to
8 Section 2(a) but also to the other provisions of the Robinson-
9 Patman Act. "Preferences granted to a legitimate sales agent are
10 not actionable [under the Robinson-Patman Act] because there is
11 no sale to the agent." Seaboard Supply Co. v. Congoleum Corp.,
12 770 F.2d 367, 371-73 (3d Cir. 1985) (noting that the rule applies
13 to subsections 2(a), (c), (e), and (f)). According to the
14 complaint, "E&L's arrangement with Doman and Eacom was that E&L
15 would take delivery, but not ownership, of the green hem-fir
16 lumber products . . . and would then sell this product on Doman's
17 behalf to lumberyards." By E&L's own admission, it was merely a
18 sales agent, and thus it cannot assert a claim under the
19 Robinson-Patman Act.

20 Even if plaintiffs did have standing, their claim would
21 still fail. The Act contains a number of provisions, but the
22 allegation that Doman has offered Sherwood "discounted and/or
23 favorable price structuring levels" implicates only Section 2(a).
24 15 U.S.C. § 13(a). Section 2(a) makes it "unlawful . . . to

1 discriminate in price between different purchasers of commodities
2 of like grade and quality . . . where the effect of such
3 discrimination may be substantially to lessen competition or tend
4 to create a monopoly. . . ." 15 U.S.C. § 13(a). A necessary
5 component of a Section 2(a) claim is "likelihood of competitive
6 injury resulting from the alleged discrimination." Best Brands
7 Beverage, Inc. v. Falstaff Brewing Corp., 842 F.2d 578, 584 (2d
8 Cir. 1987). Because plaintiffs have failed to allege any facts
9 that could demonstrate competitive injury, their claim under
10 subsection 2(a) of the Robinson-Patman Act must fail.

11 f) Remaining Claims

12 Plaintiffs also asserted a federal claim for violations of
13 Section 7 of the Clayton Act, 15 U.S.C. § 18. That section
14 addresses mergers and the acquisition by one corporation of the
15 stock of another. Nothing in the plaintiffs' complaint relates
16 to anything in Section 7, and consequently that claim was
17 properly dismissed.

18 With all federal claims dismissed, the dismissal, without
19 prejudice, of the remaining state claims was proper. 28 U.S.C. §
20 1367(c)(3); Giordano v. City of New York, 274 F.3d 740, 754 (2d
21 Cir. 2001) ("[T]he state-law claims should be dismissed so that
22 state courts can, if so called upon, decide for themselves
23 whatever questions of state law this case may present.").

1 CONCLUSION

2 We therefore affirm.

3

1 FOOTNOTES

2
3 1. Under the terms of Doman's bankruptcy proceeding, "no suit, action, enforcement process, extra-judicial proceeding or proceeding of any other nature . . . shall be proceeded with or commenced against [Doman]." Following its reorganization, Doman emerged from bankruptcy in July 2004.

2. We indulge in this assumption despite seeming anomalies in some factual allegations. For example, the complaint alleges that a 10% increase in transportation costs when rail is used renders green hem-fir lumber from another producer "uncompetitive for resale" because of the elasticity of demand for the product while also alleging that Sherwood has raised prices by over 20% and that alternative kinds of suitable lumber sell for 25% more than green hem-fir. Moreover, the complaint alleges that Doman has sold green hem-fir lumber at a discount to Sherwood to allow the latter to sell green hem-fir lumber at lower prices than E&L and to tie the sale of that product to Sherwood's sale of finished wood products, conduct that hardly benefits Doman.

3. One basis on which the district court dismissed the complaint was its conclusion that plaintiffs had not alleged "antitrust injury," E&L Consulting, Ltd., 360 F.Supp.2d at 474, because they

had failed to "allege some type of harm to competition market-wide," id. at 475. We agree with the district court that the plaintiffs' failure to proffer allegations of harm to competition is fatal to their antitrust claims. However, the failure to allege harm to competition is analytically distinct from failure to plead antitrust injury. Blue Tree Hotels Inv., Ltd. v. Starwood Hotels & Resorts Worldwide, Inc., 369 F.3d 212, 220 (2d Cir. 2004) ("Antitrust injury and competitive injury are conceptually distinct.").

Antitrust injury is "injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful." Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 489 (1977). An antitrust plaintiff "must show not only injury-in-fact, but also that [the injury] constitutes . . . the kind that the antitrust laws are designed to prevent and that [is] congruent with the rationale for finding an antitrust violation in the first place." Areeda, Hovenkamp & Blair, Antitrust Law § 335c4 (2000). It should go without saying, therefore, that a party cannot establish antitrust injury without establishing a violation of the antitrust laws, which, under Section 1, must involve an injury to competition.

4. "Restraints imposed by agreement between competitors have traditionally been denominated as horizontal restraints, and those imposed by agreement between firms at different levels of distribution as vertical restraints." Business Elecs. Corp. v. Sharp Elecs. Corp., 485 U.S. 717, 730 (1988).

5. We note that, according to the World Forestry Institute, "[t]he finished wood products market -- which includes furniture, flooring, beams, windows, doors, frames, moulding and millwork -- is a \$28 billion industry." See <http://wfi.worldforestry.org/trade-2.htm> (last visited Oct. 5, 2006). One prominent online directory for timber-related products lists all of the following under "finished wood products": windows, doors, stairs, steps, handrails, parquet, wooden floors, wooden houses, pallets, tare, packaging, boxes, saunas, barrels, tubs, wooden tables, kitchen tools, toys, artwork, straw, plaiting, wickerwork, wooden musical instruments, fences, gates, railing, pellets, briquettes, and "other." See www.wood-me.com/timber_cat/9/Finished_wood_products (last visited Oct. 5, 2006).